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RPI

26 AUG 1988

MEMORANDUM FOR: Deputy Assistant Director for Policy and Plans, OF

VIA: Acting Chief, Real Estate and Construction Division, OL

25X1 FROM: [redacted]
Chief, Real Estate Branch, RECD/OL

25X1 SUBJECT: Real Property Reporting [redacted]

1. As a result of our meeting on 11 August 1988, the Memorandum of Understanding (MOU) has been finalized on real property reporting. It is attached for signature by the Director of Finance. After you return the MOU, we will obtain signature by the Director of Logistics and send you a fully executed copy for your records. A copy will also be sent to the Inspector General to clear the
25X1 audit reports stated in the MOU. [redacted]

2. Thank you for your expedience in reviewing the MOU and for your logical common sense approach to a complex subject. If you have any questions, please do
25X1 not hesitate to call me [redacted]

25X1 [redacted]

Attachment

UNCLASSIFIED When Separated
From Attachment

25X1 [redacted]

OL 13160-88

25X1 SUBJECT: Real Property Reporting [redacted]

25X1 OL/RECD/REB [redacted] 24 Aug 88 (Bond)

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LEASES

INTRODUCTION

.01 A lease agreement is an agreement to convey the use of an asset or part of an asset (such as part of a building) from one entity, the lessor, to another, the lessee, for a specified period of time in return for rent or other compensation. Lessees have either capital or operating leases while lessors have either sales-type, direct financing, or operating leases. Capital, sales-type, and direct financing leases transfer substantially all the benefits and risks of ownership from the lessor to the lessee. All other leases should be accounted for as operating leases, i.e., rental of property. (The FASB Current Text, section L10, contains accounting guidance for specific areas of lease transactions, such as real estate, related parties, and subleases.)

ACCOUNTING STANDARD

.02 When the lease agreement is essentially equivalent to an installment purchase of property, an agency shall record the appropriate asset and liability. See paragraph .03 below. In such cases, the substance of the arrangement, rather than its legal form, shall determine the accounting treatment. The following paragraphs provide criteria to use for guidance in assessing the substance of lease arrangements. Paragraphs .14 through .22 contain definitions of some of the terms used in this standard.

Capital Leases

.03 Lessees shall classify a lease as a capital lease if the lease agreement is essentially equivalent to an installment purchase of property. If any of the following criteria is met, the lease agreement is presumed to be equivalent to an installment purchase:

(a) The lease transfers ownership of the property to the lessee by the end of the lease term.

(b) The lease contains an option to purchase the leased property at a bargain price.

(c) The noncancelable lease term is equal to or greater than 75 percent of the estimated economic life of the leased property.

(d) The present value of rental and other minimum lease payments, excluding that portion of the payments that represents executory costs, such as insurance, maintenance, and taxes to be paid by the lessor, equals or exceeds 90 percent of the fair value of the leased property. The lessee shall compute the present value of minimum lease payments using the Treasury Average Interest Rate for Marketable Interest-Bearing Debt unless (a) it is practicable for the lessee to learn the interest rate implicit in the lease computed by the lessor and (b) the implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest-Bearing Debt.

The last two criteria do not apply if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property. An agency's "rental" of space from GSA does not meet these criteria.

.04 Agencies with capital leases shall treat capital leases as the acquisition of an asset and the incurrence of a liability. The asset shall be recorded at its fair market value, with a like amount shown in the liabilities section. The difference between the total lease payment and the fair market value is interest. The property shall be accounted for in accordance with the Acquisition Cost of Assets standard, section A20; Appropriations for Property, Plant, and Equipment standard, section A40; Property, Plant, and Equipment standard, section P40; and Depreciation and Amortization standard, section D20; reported in the Statement of Financial Position as a component of property, plant, and equipment; and depreciated in accordance with the agency's policies.

.05 Interest shall be computed and recognized periodically. The effective interest method shall be used to produce a constant rate of interest on the remaining lease liability. A portion of each lease payment shall be allocated to interest expense, and the balance shall be applied to reduce the lease liability. The amount allocated to interest expense shall be computed based on the interest rate used to compute the present value of minimum lease payments. (See paragraph .03.) The interest expense shall appear on the Statement of Operations. The portion of the appropriation used to cover the interest expense shall also appear on the Statement of Operations as a Financing Source. Illustrative journal entries are provided in paragraph .23.

.06 In leases containing a residual guarantee by the lessee or a penalty for failure to renew the lease at the end of the lease term, following the above method of amortization will result in a balance of the liability at the end of the lease term that will equal the amount of the guarantee or penalty at that date. In the event that a renewal or other extension of the lease term or a new lease under which the lessee continues to lease the same property renders the guarantee or penalty inoperative, the asset and the liability under the lease shall be adjusted by an amount equal to the difference between the present value of the future minimum lease payments under the revised agreement and the present balance of the liability. The present value of future minimum lease payments under the revised agreement shall be computed using the rate of interest used to record the lease initially. Other renewals and extensions of lease terms shall be considered new agreements.

Sales-Type Leases or Direct Financing Leases

.07 If the need should arise for guidance on accounting for sales-type and direct financing leases, reference should be made to the FASB Current Text, section L10.

Operating Leases

.08 Any lease that is not a capital, sales-type, or direct financing lease is an operating lease. Lessees shall treat the payments and accruals for operating leases as expenses; lessors shall treat the payments and accruals as current revenue and depreciate the asset in accordance with its depreciation policy. The asset shall be reported on the lessor's Statement of Financial Position as a component of Property, Plant, and Equipment.

Disclosures - Lessees

.09 For all leases treated as capital leases, lessees shall report assets, accumulated amortization, and liabilities arising from the leases separately in the Statement of Financial Position. In addition, current amortization charges to income must be disclosed clearly along with (1) gross assets leased as of each balance sheet date in aggregate and by major property categories and (2) minimum future lease payments, in total and for each of the next 5 years, showing deductions for executory costs, including any profit thereon, and the amount of imputed interest to reduce the net minimum lease payments to present values.

.10 For all operating leases having noncancelable lease terms in excess of 1 year, lessees must disclose (1) minimum future rental payments, in total and for each of the next 5 years, and (2) a schedule of total rental expense.

.11 In addition, lessees must provide a general description of all leasing arrangements. Refer to the FASB Current Text, section L10, for general information about which matters should be included.

Disclosures - Lessors

.12 In general, lessors shall also provide a full description of the leasing arrangements. In addition, agencies that do a significant amount of leasing must disclose the following for operating leases:

(1) A schedule of property held for lease, less accumulated depreciation, as of each balance sheet date presented. These schedules should be broken down by major categories.

(2) A schedule of minimum future rentals on noncancelable operating leases, in total and for the next 5 years.

(3) The amount of contingent rentals included in each operating statement presented.

.13 Similar lease agreements shall be aggregated for purposes of the required disclosures.

Definitions

.14 The following paragraphs contain brief and general definitions of several of the terms used in this standard. The FASB Current Text, Section L10, should be referred to for more specific guidance.

.15 For nonoperating leases, the lease term is the fixed noncancelable term of the lease plus all periods, if any, representing renewals or extensions of the lease which can reasonably be expected to be taken.

.16 Noncancelable means the lease is cancelable only on the occurrence of a remote contingency. Funds not being appropriated by the Congress in future years to cover the lease is considered a remote contingency.

.17 A bargain purchase option is a lessee's option to purchase the leased property at a bargain price that makes the exercise of the option almost certain.

.18 The estimated economic life is the estimated remaining useful life of property for the purpose for which it was intended, regardless of the term of the lease.

.19 The minimum lease payments are the payments that the lessee is obligated to make or can be required to make in connection with the leased property. (Contingent rentals are excluded from minimum lease payments.)

.20 The fair value of the leased property is the price for which the property could be sold in an arm's-length transaction between unrelated parties.

.21 The interest rate implicit in the lease is the discount rate that, when applied to the minimum lease payments (less executory costs and the unguaranteed residual value), causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased property at the inception of the lease.

.22 The renewal or extension of a lease is the continuation of a lease agreement beyond the original lease term, including a new lease under which a lessee continues to use the same property.

Illustration of Lease Accounting

.23 The following is an illustration of the accounting entries made by an appropriated activity in a capital lease situation.

Company XYZ, as lessor, enters into a lease agreement with Agency A, as lessee, on January 1, 19X1, for equipment. Agency A, although not required to, does follow the policy of amortizing its intangible assets. The following data are relevant to the agreement:

1. The term of the noncancelable lease is 11 years, with no renewal option. Payments of $10,000 are due on January 1 of each year, beginning with January 1, 19X1.

2. The fair value of the equipment on January 1, 19X1 is $60,000. The equipment has an economic life of 20 years with no salvage value.

3. Agency A receives title to the equipment at the end of the 11th year.

4. Agency A pays all executory costs.

5. Agency A is aware that Company XYZ used an implicit interest rate of 15 percent in computing the lease payments. (The present value factor for 11 periods at 15 percent is 6.0188. Thus, the present value of the minimum lease payment is $60,188, which is also Company XYZ's fair value at the commencement of the lease. For simplicity, we are rounding the $60,188 down to $60,000.)

L10

Agency A's Lease Amortization Schedule

Date	Annual lease payment	Interest on unpaid amount	Reduction of total lease obligation	Balance of lease obligation
				$60,000
1/1/X1	$10,000		$10,000	50,000
1/1/X2	10,000	$7,500	2,500	47,500
1/1/X3	10,000	7,125	2,875	44,625

(For simplicity in this illustration, the remaining years are omitted from this schedule.)

Lessee (Agency A) Accounting
January 1, 19X1

(1)	Equipment under capital lease	$60,000	
	Obligations under capital lease		$60,000
	(to record the signing of the lease agreement.)		
(2)	Obligations under capital lease	$10,000	
	Cash		$10,000
	Unexpended appropriations	$10,000	
	Invested capital		$10,000
	(to record the first lease payment.)		

December 31, 19X1

(3)	Amortization expense	$3,000	
	Accumulated amortization		$ 3,000
	Invested capital	$3,000	
	Financing sources		$ 3,000
	(to record the amortization expense and the funding of that expense. If the agency does not amortize intangible assets, this entry will not be made.)		

January 1, 19X2

(4)	Obligations under capital lease	$2,500	
	Interest expense	$7,500	
	Cash		$10,000
	Unexpended appropriations	$10,000	
	Invested capital		$2,500
	Financing source		$7,500
	(to record the second year's lease payment.)		

LONG-TERM CONTRACTS

INTRODUCTION

.01 This standard includes the requirements for long-term contract accounting by federal agencies for the following:

--long-term contracts for the purchase or sale of goods or services, and

--long-term contracts for the purchase or sale of property manufactured or constructed.

ACCOUNTING STANDARD

Long-Term Contracts for the Purchase or Sale of Goods (Excluding Property, Plant, and Equipment) or Services

.02 Agencies shall recognize the liability for goods and services purchased under a long-term contract in the period in which the goods or services (or a portion thereof) are received or accepted by the agency. The related asset (i.e., inventory, materials and supplies, or work in process) or expense, as appropriate, shall be recorded at the same time as the liability.

.03 Agencies shall recognize the revenue and costs of goods and services sold under a long-term contract in the period in which the goods or services are delivered or constructively delivered to the purchaser. Constructive delivery occurs when an agency (the seller) meets the obligations of the long-term contract.

Long-Term Contracts for the Purchase or Sale of Property, Plant, and Equipment

.04 For financial reporting purposes, agencies shall compute the liability for property, plant, and equipment manufactured or constructed for them under long-term contracts on the basis of verified estimates of work completed (percentage-of-completion method) per contractor reports or invoices received during each accounting period, rather than on disbursements made. Appropriate liabilities for contract retainages, if any, shall also be recorded. The appropriate property, plant, and equipment accounts (including construction in progress) shall also be adjusted based on liabilities recorded. See the Property, Plant, and Equipment standard, section P40, paragraph .09.

L40

Advances Under Long-Term Contracts

.05 Payments by agencies to contractors under any long-term contract in excess of related liabilities at the end of an accounting period shall be accounted for as advance payments under long-term contracts. For accounting guidance, see the Advances and Prepayments standard, section A30.

.06 Receipts by an agency from purchasers under any long-term contract in excess of revenues earned as of the end of an accounting period shall be reported as revenues received in advance (a liability account). The liability amount shall be decreased as the revenues are earned and recognized.

PROPERTY, PLANT, AND EQUIPMENT

INTRODUCTION

.01 This standard applies to property, plant, and equipment including land, structures and facilities, equipment, and related improvements that have a service life of 2 years or greater. Property, plant, and equipment also includes assets acquired by capital leases (see the Leases standard, section L10) as well as leasehold improvements. These assets may also be discussed in terms of accountability units which are of concern when a tangible capital asset is a component of plant and equipment. Each component is an accountability unit if it is capitalized when acquired or if its replacement is capitalized when the unit is removed, transferred, sold, abandoned, demolished, or otherwise disposed of.

ACCOUNTING STANDARD

.02 All property, plant, and equipment with an initial acquisition cost of $5,000 or more and an estimated service life of 2 years or greater must be capitalized and reported in the financial statements. However, these limits do not affect an agency's responsibility for proper control of property. Agencies shall establish appropriate internal controls over all assets, particularly those sensitive items that are subject to theft.

.03 Purchased or constructed property, plant, and equipment shall be accounted for at cost, which includes all amounts paid to acquire and install the assets in their current form and place. The Acquisition Cost of Assets standard, section A20, paragraphs .02 through .05, provides further guidance on determining acquisition costs. Donated fixed assets received from nonfederal entities shall be accounted for at estimated fair value at the date of acquisition. Statues and monuments shall be reported at their historical cost or other rational basis, with depreciation not applied.

.04 ADP software (programs, routines, or subroutines) valued at $5,000 or more, with a useful life of 2 years or greater, shall be capitalized as property, plant, and equipment. For ADP software used in research and development activities, whether purchased or developed by agency personnel, refer to the Research and Development standard, section R40.

.05 When initially recording property, plant, and equipment that was previously acquired, the cost shall be recorded or, if cost cannot be estimated, the fair value of the fixed asset at the date acquired shall be estimated from available records or evidence. See the Fair Value standard, section F10 for guidance on fair value determinations.

.06 Costs of additions, alterations, betterments, rehabilitations, or replacements that extend the useful life of the asset or its service capacity shall be capitalized as property, plant, and equipment. Costs of assets installed in or added to another asset shall be capitalized either individually or as part of the other asset. Costs of assets or components removed, superseded, or destroyed in the improvement process shall be expensed, net of accumulated depreciation, if any.

.07 Expenses incurred to maintain property, plant, and equipment in satisfactory operating condition (repair and maintenance expenses) shall be accounted for as operating expenses.

.08 If current costs would be distorted in a given period by charging to expense a large quantity of items, such as the initial complement of equipment of a building, that individually cost less but collectively cost more than the $5,000 capitalization criterion, such items shall be grouped in a separate asset group account. (An example would be a substantial amount of purchased office furniture, involving many pieces that individually cost less than $5,000.) See paragraph .13 for further discussion of property records. Such items shall be depreciated if the agency adopts depreciation accounting.

.09 Property, including assets acquired through installment contracts and lease purchases, shall be capitalized when placed in service. All costs associated with preparing property, plant, and equipment for service shall be recorded in the Construction in Progress account and reported in the financial statements. (See the Long-Term Contracts standard, section L40, paragraph .04.) When assets are placed in service, the accumulated costs shall be transferred to the appropriate asset account.

.10 The cost of property acquired as a result of trade-ins shall be recorded at the lesser of (1) the cash paid and/or liability incurred plus the net book value of the traded-in property or (2) the amount that the purchase price would have been without trade-in.

.11 Property acquired by foreclosure shall be recognized at the appraised (or fair market) value. The difference between amounts due and costs incurred and assets recorded at the appraised or fair market value shall be recognized as a current period loss or gain in the Statement of Operations when the foreclosure occurs. (See Debt Agreement Modification, section D10, paragraph .03 and .04.)

.12 Property acquired by donation, devise (bequeath), forfeiture, or confiscation shall be carried in agency accounts at a fair value plus any costs incurred to place the property in use.

.13 Agency property records must:

(1) capture all transactions affecting the agency's investment in property, including:

(a) all acquisitions, whether by purchase, transfer from other agencies, donation, or other means, as of the date the agency takes custody of the property;

(b) the cost of use as an operating cost over the property's estimated useful life accounted for as depreciation or amortization, where provided by the standard on Depreciation and Amortization, section D20; and

(c) all disposals or retirements when the property leaves the custody of the agency;

(2) control physical quantities of government-owned property and its location. These records should be designed to be of maximum assistance in the procurement and utilization of such property and, therefore, should include the identification of excess property and its use, transfer, or disposal in accordance with statutory and regulatory requirements;

(3) enable periodic independent verifications of the accuracy of the accounting records through periodic physical counts;

(4) identify property, plant, and equipment which were capitalized and reported in financial statements and those assets that do not meet the capitalization criteria and that were charged as expenses in prior periods but are included in the records for control purposes;

(5) be integrated with or reconciled with the accounting systems;

(6) accumulate costs of construction in progress projects as costs are incurred for comparison with authorized amounts;

(7) include all government-owned property (even if held by others) as well as property of others held by the government;

(8) identify leased property (even if not capitalized); and

(9) account for capitalized additions and improvements.

Retirement of Property, Plant, and Equipment

.14 When nondepreciated property, plant, and equipment are retired, agencies shall remove the assets from the property account and an equal amount from the Invested Capital account. Unless otherwise specified by law, any proceeds received shall be accounted for as Cash and Miscellaneous Receipts Due Treasury (a liability) or used to replace similar assets when permitted by law. Also, contracts may authorize the proceeds from the sale of property in a contractor's or subcontractor's custody to be credited to the cost of work, in accordance with the contract or subcontract, pursuant to 40 U.S.C. 485(e). When the proceeds are deposited with the Treasury, agencies shall remove the amounts from the Cash and Miscellaneous Receipts Due Treasury accounts. Refer to the illustration in the Equity of the U.S. Government standard, section E20, paragraph .15.

.15 When depreciated property, plant, and equipment are retired, agencies shall recognize gains or losses on retirement if the assets were disposed of outside of the federal government. For assets transferred to other federal agencies, see Transfers of Assets and Liabilities Between Federal Agencies standard, section T10, and Equity of the U.S. Government standard, section E20, paragraph .14.

.16 When retiring depreciated property, plant, and equipment, agencies shall remove the net book value (difference between the amount at which the asset is recorded and its related accumulated depreciation) from the Invested Capital account, the related depreciation from the Accumulated Depreciation account, and the amount of the assets from the property account upon retirement. Any proceeds received shall be accounted for as in paragraph .14 above. The difference between the proceeds received and the net book value of the assets shall be accounted for as gains or losses on the retirement of property, plant, and equipment. See the Equity of the U.S. government standard, section E20, paragraph .15.

.17 The gains or losses shall be recognized in the accounts as a financing source or an expense as applicable and as a charge to the Cumulative Results of Operations account. In addition, the gains or losses shall be shown on the agencies' financial statements as an adjustment to the accumulated results of operations at the beginning of the year. See the Equity of the U.S. government standard, section E20, paragraph .15.

Disclosure

.18 Property, plant, and equipment reported in the financial statements are to be classified into the following categories (separated for depreciated and nondepreciated assets):

(a) land and improvements;

(b) structures, facilities, and improvements;

(c) furniture and equipment, including ADP equipment;

(d) construction in progress;

(e) ADP software; and

(f) statues and monuments.

.19 The basis for determining asset values, i.e., actual costs, fair value, and estimated cost, are to be disclosed in the financial statements. Disclosure shall also include the lives and depreciation methods used, if any. Similar assets can be grouped for purposes of these disclosure requirements.

.20 Each fiscal year, additions to and retirements of property, plant, and equipment shall be disclosed in the financial statements. Fully depreciated assets still in use, if any, shall be disclosed. Agencies shall periodically review the remaining useful life of assets and adjust per period depreciation charges to prevent full depreciation of assets still in use.

.21 Any restrictions as to the use or convertibility of property, plant, or equipment shall be disclosed in the footnotes to the financial statements.

TRANSFERS OF ASSETS AND LIABILITIES BETWEEN FEDERAL AGENCIES

INTRODUCTION

.01 This standard specifies the accounting to be followed by federal agencies for transactions that involve the receipt or disposition of assets and liabilities between federal agencies but do not involve cash disbursements. Assets covered include accounts and loans receivable, inventory, and property. Liabilities covered include payables, accruals, loans, and debts.

ACCOUNTING STANDARD

.02 Assets and liabilities transferred without a monetary exchange between federal agencies shall, except as provided below, be accounted for at the amount recorded on the transferor's books. No gains or losses shall be recognized on such transactions.

.03 This standard does not apply to sales and other transactions that occur in the normal operation of business-like activities (e.g., revolving and stock funds). It does apply to transfers of property that are not part of the normal operation of such business-like activities.

.04 Federal agencies purchasing assets for cash from other federal agencies shall follow the accounting provided by the Acquisition Cost of Assets standard, section A20. Federal agencies selling assets for cash to other federal agencies shall follow paragraphs .14 through .17 of the Property, Plant, and Equipment standard, section P40.

Nonreciprocal Transfers Within the Federal Government

.05 When a federal agency transfers assets and/or liabilities to another agency without any offsetting transfer from the other agency, the transferor's asset, liability, and equity accounts shall be reduced for the items transferred and the transferee's asset, liability, and equity accounts increased accordingly. The transferee shall record the items received at the net book value on the transferor's books.

Reciprocal Transfers Within the Federal Government

.06 When two or more federal agencies exchange assets and/or liabilities (offsetting transfers), each transferee agency shall record the assets and/or liabilities received at the amount the asset and/or liability was carried at in the transferor's records. In effect, the agencies are transferring net book values as well as assets or liabilities, and, consequently, no gains or losses shall be recognized by either agency although a change in equity occurs, where net book values are not identical.

Transfers of Depreciated or Depreciable Assets

.07 Differences in depreciation policies complicate transfer accounting. Accounting for such transfers shall be as follows:

(a) If, under the transferor's depreciation policy, the asset has been depreciated, the asset shall be recorded by the transferee at the transferor's net book value even if the transferee's policy is not to depreciate such assets or the transferee has different depreciation policies.

(b) If, under the transferee's depreciation policy, the asset will be depreciated but the transferor has not recorded depreciation on the asset, the transferee shall record the asset at the transferor's original book value. The transferee shall then record accumulated depreciation (reducing the equity account by a like amount) equal to the amount it would have recorded if it had originally acquired the asset and had depreciated it based on its depreciation policy. Depreciation after the transfer shall be calculated based on the net asset amount recorded.

.08 An example of accounting under the above standard follows. Agency A exchanges an asset carried at $10,000 (not depreciated) for an asset from Agency B that is carried at $5,000 (original cost of $10,000 less depreciation of $5,000).

(1) Invested Capital	$10,000	
Asset		$10,000
(Agency A records transfer to B.)		
(2) Asset	$5,000	
Invested Capital		$5,000
(Agency A records receipt of asset.)		
(3) Invested Capital	$5,000	
Accumulated Depreciation	$5,000	
Asset		$10,000
(Agency B records transfer to A.)		

T10

(4)	Asset	$10,000	
	Invested Capital		$10,000
	(Agency B records receipt of asset.)		
(5)	Invested Capital	$5,000	
	Accumulated Depreciation		$5,000
	(Agency B records accumulated depreciation based on its policies. One-half of the useful life of the asset would have passed. Agency B uses straight-line depreciation.)		

25X1

25 July 1988

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MEMORANDUM FOR: Acting Chief, Agency Contracts Group
Chief, Facilities Management Division
Chief, Information and Management Support Staff
Acting Chief, Printing and Photography Group
Acting Chief, Real Estate and Construction Division
Acting Chief, Supply Group

FROM: John M. Ray
Director of Logistics

SUBJECT: Status Report on Customer Service Goals

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1. As a result of the status reports provided [redacted] [redacted] on 19 July 1988, some of you appear to be making excellent progress toward the improvement of customer service. On the other hand, the presentations of others seemed to be more focused on "general accomplishments" rather than on efforts made to enhance customer service.

2. From the discussions which occurred at our meeting, I came away with the following points which are applicable across the office:

a. Senior management must do more than pay lip serviceto this effort; it requires constant attention and leadership so that all OL employees realize that we are indeed serious.

b. We need to concentrate on a transformation in attitude adjustment among OL employees, in general.

c. Meaningful feedback from customers and constant communications with them is essential.

d. Telephone procedures and followup continues to plague our efforts--improvements in these areas can only be achieved if individual managers focus on them.

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3. As far as individual action items are concerned, [redacted] is to investigate putting an OL Information Update on AIM (relating to customer service and interests) so we can get accurate information to [redacted] users. [redacted] will look into the feasibility of disseminating employee bulletins electronically.

4. While some progress has been made, there is still a long way to go. We have until the end of 1988 to make meaningful progress in the customer service arena. I know of nothing that has a greater impact on our image than very visible improvements in customer service. Please continue to provide constant attention to this subject. The next (and final) update session will take place in October.

STAT

[redacted]

John M. Ray

cc: DD/L, EO, PE
AC/CSG/OL
DC/FMD/OL

ADMINISTRATIVE - INTERNAL USE ONLY